



## WCHS 308 Tax Levy FAQ's

**How does the district determine its levy?** The budget expenditures for the education program and support services are projected annually. In November, the district then prepares an estimated tax levy request. The board adopts a final levy request at the December board meeting each year. If the levy is greater than 5% of the previous year's levy, the district is required to hold a public hearing.

**Why is the burden on property?** Illinois school funding law emphasizes local control. In other words, local dollars fund local schools. The amount of money that school districts receive from the state varies. WCHS receives approximately 80% of its revenue from local sources, 18% from state sources and 2% from federal sources.

**Will taxes in Washington ever go down?** As long as costs continue to rise and state funding continues to decline the district will continue to depend on local revenue to the extent allowable under tax caps. So, the answer is that the district is not likely to request less money. However, with the growth in total EAV it is possible that someone in a home that has not increased in value (per the assessor) will actually see a decrease in their tax bill the next year.

**Why doesn't the School District lower its Levy?** Under PTELL, the revenue received through the 2021 extension sets the basis of the Tax Cap calculation for the 2022 levy. If the district lowers its 2022 levy, the district would lose the amount, compounded by the CPI index, annually. The district is penalized under the Tax Cap for future years as each year is limited by the prior year extension amount.

For example: A reduction of \$200,000 in the 2022 levy would reduce the 2023 levy by \$200,000 plus the CPI. In two years, the district would lose access to more than \$400,000 of revenue. The result is a permanent reduction in the annual property tax revenue for the district.

**Why would a District propose a levy which is higher than the amount they are entitled to receive?** At the time of the levy adoption in December, new property and any assessment adjustments are unknown. Since the final amount of assessed valuation (EAV) is not finalized until March, the law allows the district to request more taxes than they expect to collect. If the district's levy request falls short of the amount allowable, the district will never be able to recapture lost revenues.

### **Will my taxes increase as a result of this Levy request?**

This depends on the final tax rate as determined by the Tazewell County Assessor's office. Based on their estimate, the district's share of the total tax rate could possibly increase from 2.9869 (2021 levy) to 3.0050 (2022 levy). However, this is unlikely to happen based on the information outlined in the question above. Under this scenario, a home with a fair market value of \$100,000 with no exemptions paid \$995.63 last year. If the levy request for 2022 is fully realized, the same homeowner would pay \$1,001.66 in 2023 on the 2022 levy. If the request is **not** fully realized, it is possible that the same homeowner will pay less than the estimate above for the district's portion of the 2022 levy.

**Are the people that build new houses this year getting taxed at a higher rate than those that have already been paying taxes for years?** No. Everyone pays the same tax rate based on the total available EAV. The rate is established by dividing the dollars asked for by the total EAV. That rate is then applied to the EAV for an individual property.

## Tax Levy Terms and Definitions

**Tax Levy:** a request for dollars by a taxing body for tax revenue.

**Tax Levy Extension:** The aggregate of dollars due to the district as calculated by the county clerk and billed to property tax payers.

**Tax Rate:** The percentage per \$100 of EAV that yields the taxes.

**EAV:** Equalized Assessed Valuation is the basis for property tax values and is one-third of the fair market value established by the county assessor.

Ex: \$300,000 FMV = \$100,000 EAV

**CPI:** Consumer Price Index. The measure of inflation set by the US Bureau of Labor Statistics.

**PTELL or "Tax Cap":** Law limiting the extension taxing bodies can receive to 5% or the CPI, whichever is less. PTELL does not cap individual tax bills, but limits the aggregate amount a taxing body can receive.

### **Property Tax Rate Calculation:**

1. Multiply the previous year's extension by the CPI or 5%, whichever is less. This equals the new extension amount in dollars.
2. Subtract the value of new construction from the EAV. This equals the Adjusted EAV.
3. Divide the New Extension Amount by the Adjusted EAV. This equals the limiting rate.
4. Multiply the total EAV by the limiting rate to yield the total taxes allowable to establish the limiting rate.